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Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Proposed budget of the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2013 to 30 June 2014

Report of the Independent Audit Advisory Committee

Summary

The present report contains the comments, advice and recommendations of the Independent Audit Advisory Committee on the proposed budget of the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2013 to 30 June 2014.

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I. Introduction

1. The Independent Audit Advisory Committee presents herein its comments, advice and recommendations to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, on the budget of the Office of Internal Oversight Services (OIOS) under the support account for peacekeeping operations for the period from 1 July 2013 to 30 June 2014. The report is submitted in accordance with paragraphs 2 (c) and (d) of the terms of reference of the Committee (General Assembly resolution 61/275, annex).

2. The Committee has a responsibility to examine the workplan of OIOS, taking into account the workplans of the other oversight bodies, and to advise the Assembly thereon, to review the budget proposal of the Office, taking into account its workplan, and to make recommendations to the Assembly through the Advisory Committee. The Committee undertook its review of the OIOS workplanning process and the proposed budget for OIOS under the support account for peacekeeping operations for the period 1 July 2013 to 30 June 2014 at its twentieth and twenty-first sessions, held from 16 to 18 December 2012 and from 4 to 6 February 2013, respectively.

3. The Committee appreciates the efforts of the Office of Programme Planning, Budget and Accounts and OIOS in providing the Committee with the relevant documents for consideration. OIOS also provided supplementary information in response to various questions from the Committee.

II. Background

4. The proposed OIOS budget under the support account for peacekeeping operations for the period from 1 July 2013 to 30 June 2014 is estimated at $29,691,300 (gross), which represents an increase of $4,540,800 (gross), or 18 per cent, over the prior year's approved budget of $25,150,500 (gross). The increase, which is mostly attributed to post resources, comes in spite of the fact that the number of posts requested has declined from 152 to 149. The post-related costs increased by 76 per cent, from $15,220,200 to $26,793,500, owing, inter alia, to the proposed conversion of general temporary assistance positions to posts, and the application of a lower vacancy rate. Consequent to the proposed conversion of general temporary assistance resources to regular posts, the proposed requirement for general temporary assistance resources decreased by 91.2 per cent, from $7,466,500 to $653,000. With the exception of general temporary assistance costs, the major decrease in the non-post costs continues to be from the reduction in the official travel-related costs.

5. The proposed financial resources for OIOS for 2013/14 as compared with 2012/13 are provided in table 1.

Table 1
Financial resources
(In thousands of United States dollars)

	Approved 2012/13	*Proposed 2013/14*	*Variance (United States dollars)*	*Variance (Percentage)*
Internal Audit Division	14 490.80	17 122.50	2 631.70	18
Inspection and Evaluation Division	965.00	1 017.80	52.80	5
Investigations Division	8 988.50	10 793.30	1 804.80	20
Executive Office	706.20	757.70	51.50	7
Total	**25 150.50**	**29 691.30**	**4 540.80**	**18**

Note: Budget figures provided by the Office of Programme Planning, Budget and Accounts, Peacekeeping Financing Division.

6. The Committee recognizes that the consideration of the OIOS budget proposals with regard to the specific grade level of OIOS posts and requests for non-post resources is more appropriately within the remit of the Advisory Committee on Administrative and Budgetary Questions. The review, comments and advice of the Independent Audit Advisory Committee will therefore focus on the scope of its own terms of reference with respect to the workplanning and budgeting process of OIOS. In accordance with its terms of reference, the Committee will submit the present report to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions. Arrangements will be made to interact with the Advisory Committee to discuss the contents of the report.

III. Comments of the Independent Audit Advisory Committee

A. Internal Audit Division

7. In the reports issued since its inception, the Committee has made a number of recommendations relating to the workplanning and budgeting process of the Internal Audit Division. The recommendations have included, inter alia, the fact that OIOS should employ more capacity gap analysis to the work of OIOS as a whole so as to ensure that resources are allocated adequately to achieve its mandate; and that OIOS should ensure that workplan implementation is considered a high priority since resources are allocated on the basis of the expectation that workplans will be fully implemented.

8. The Internal Audit Division is the largest of the three divisions of OIOS and represents close to 58 per cent of the OIOS budget under the support account. A substantial portion of the deliberations and discussions of the Committee therefore continues to be devoted to the Division workplan and budget.

Internal Audit Division workplan

9. The Committee was informed that OIOS discussed the draft audit workplan with each programme manager and that each programme manager will be provided

with the final version of the workplan. Accordingly, as shown in table 2, the Committee was informed that, the Internal Audit Division plans to undertake 85 audit assignments related to peacekeeping operations; that is compared to 112 (inclusive of 44 carried over from last year) planned during the previous period. OIOS has indicated that it will continue to consult with management during the period, monitor the risks identified in the missions, and, if required, revise the workplan on the basis of emerging risks and priorities.

10. OIOS continues to demonstrate progress in the implementation of the recommendations made by the Committee. As a consequence, the most significant change in the audit workplanning process for 2013/14 appears to be the introduction of key performance indicators by the Division as a means of improving workplan implementation.

Key performance indicators

11. According to Standard 2000 of the Institute of Internal Auditors, "[t]he Chief Audit Executive must effectively manage the internal audit activity to ensure it adds value to the organization". In addition, it provides that internal audit activity "adds value to the organization when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes". In addressing the prior recommendations of the Independent Audit Advisory Committee that audit assignments should be completed in a timely manner, and that OIOS should demonstrate the value of the services it delivers to the Organization, the Committee was informed that the Internal Audit Division had introduced key performance indicators to assist in achieving these objectives. Among the key performance indicators initially proposed by the Division are: the number of audits completed in the last 12-month period; the audit reporting period; actual as compared to budgeted workdays; and the quarterly progress of audit assignments. The Committee in its deliberations believed that the quantitative key performance indicators could be supplemented by qualitative ones. In response, the Committee was further informed that the Division will work on its key performance indicators using a balanced scorecard.

12. **The Independent Audit Advisory Committee believes that incorporating both types of indicators would allow the Internal Audit Division to fulfil the above objectives. Accordingly, the Committee recommends that, in developing the key performance indicators, OIOS should also consider qualitative indicators to supplement the quantitative ones.**

Relative risk and residual risk

13. In paragraph 26 of its report (A/64/652), the Independent Audit Advisory Committee recommended that the Internal Audit Division adopt and implement a more robust plan to prepare an audit workplan that is based on residual risk. In paragraph 12 of its report (A/66/85), the Committee acknowledged that the audit of key controls should lead to the determination of the residual risks faced by the Organization, and looked forward to receiving future budgets of OIOS based on residual risk.

14. Consequently, OIOS continues to indicate to the Independent Audit Advisory Committee that it uses a residual risk-based workplan in the allocation of its budgetary resources. With regard to the current resource requirement, the

Committee was informed that OIOS annual workplanning was based on the risk-ranked audit universe of auditable entities and the United Nations key standard processes in place. During the deliberations, OIOS indicated that for this workplan, it used relative risk to assist in ranking the residual risk identified.

Horizontal audits

15. In its report (A/65/329), the Independent Audit Advisory Committee noted that OIOS could add value to its oversight work by conducting more audits of cross-cutting and systemic issues. The Committee therefore recommended that "in preparing its workplan, OIOS place greater emphasis on audits of cross-cutting issues (horizontal audits) in order to identify prevalent systemic issues that need to be addressed by management as a priority". Accordingly, the Committee received a summary of the audit assignments for 2011 and 2012, and proposed assignments for 2013.

16. The Committee noted that of the total 85 assignments expected to be completed in the period 2013-2014, OIOS planned to perform 68 (80 per cent) horizontal/cross-cutting audits. The main areas of focus for the horizontal audits include logistics operations and contract management; property and facilities management; programme and project management; financial management, human resources management; procurement; and safety and security.

17. As table 2 below shows, well over one half of the expected increase in the total number of assignments from 2012 to 2013 will be focused on property and facilities management. According to OIOS, this increase was as a result of the ongoing preparedness for the implementation of the International Public Sector Accounting Standards (IPSAS). **The Independent Audit Advisory Committee welcomes the emphasis that OIOS is putting on ensuring that IPSAS is implemented successfully in the United Nations, and at the same time recommends that OIOS continue to monitor its audit environment to ensure that the increased coverage to property and facilities management does not overshadow other equally risky aspects of the United Nations operations.**

Table 2
Trends in the number of Internal Audit Division assignments

	Fiscal year			*Variance between 2012 and 2013*	
Focus area	*2011*	*2012*	*2013*	*No. of assignments*	*(Percentage)*
Logistics and contract management	13	16	19	3	19
Programme and project management	12	17	13	-4	-24
Property and facilities management	7	5	15	10	200
Safety and security	14	4	7	3	75
Human resources management	10	4	8	4	100
Financial management	5	6	10	4	67
Governance and strategy	8	10	1	-9	-90
Information technology	3	3	3	0	0
Procurement	1	6	9	3	50
Total	**73**	**71**	**85**	**14**	**20**

Procurement

18. While underscoring the importance of effective procurement, the Board of Auditors, in its report (A/67/5 Vol. II), noted that for the year ended 30 June 2012, "... expenditure on procurement for peacekeeping missions was $2,617 million, of which $950 million was through Headquarters and $1,667 million through local Missions". According to the report, mission-related procurement comprised over 63 per cent of all procurement. As table 2 above shows, there was only one audit assignment relating to procurement activities in 2011; the number of audits increased to 6 in 2012 and is projected to go up to 9 in 2013 (representing a 50 per cent increase).

19. **The Independent Audit Advisory Committee noted the 50 per cent increase in assignments, and the fact that some assignments under logistics and contract management may be related to procurement. Nevertheless, given the past experience with the Procurement Task Force, and previous observations of the Committee, and the high level of mission-based procurement, the Committee believes that more emphasis needs be placed on the audit of procurement-related activities and recommends that OIOS devote additional effort in refining its risk-based workplan in order to ensure that it fully captures such areas as procurement.**

Capacity gap

20. With respect to the planning assumptions and estimates for the determination of available days per auditor, the Committee noted that OIOS continues to use the planning assumptions reported in the prior reports. For instance, at each peacekeeping mission, auditors at the P-3 and P-4 levels and the audit assistants are allocated to audit on the basis of 150 days per year; Auditors at the P-5 level with audit teams comprising fewer than five staff were allocated at 120 days per year, and auditors at the P-5 level in missions where the audit team comprised more than five staff are expected to audit at 100 days per year.

21. The variance between the estimate by OIOS of the number of days required to undertake the planned audits and the total days available is presented by OIOS as the gap in capacity. **OIOS informed the Independent Audit Advisory Committee that the Internal Audit Division had sufficient capacity to execute the proposed workplan.**

22. **In the light of the above, the Independent Audit Advisory Committee endorses the budget proposal for the Internal Audit Division as proposed, which includes a reduction in the number of posts from 89 to 86 as a result of the closure of the United Nations Integrated Mission in Timor-Leste.**

B. Inspection and Evaluation Division

Workplan implementation

23. In paragraph 19 of its report (A/66/737), the Independent Audit Advisory Committee recommended that OIOS ensure that the implementation of the workplan is considered a high priority since resources are allocated on the basis of the expectation that workplans will be fully implemented. During its deliberations, the Committee was informed that the Inspection and Evaluation Division had evaluated

and/or inspected all the major missions, including thematic evaluation of disarmament, demobilization and reintegration; cooperation between the Department of Peacekeeping Operations/Department of Field Support and the regional organizations; and evaluation of whole missions such as the United Nations Stabilization Mission in Haiti and the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo.

24. The Independent Audit Advisory Committee noted instances in which evaluation and/or inspection reports had taken almost two years to finalize, and questioned the relative utility of such reports to the various stakeholders. **The Independent Audit Advisory Committee recommends that, in order for the Inspection and Evaluation Division to ensure its relevance to decision makers, it, inter alia, finalize its reports in a timely manner.**

External review of the Inspection and Evaluation Division

25. The Independent Audit Advisory Committee was also briefed on the status of an external review of the Inspection and Evaluation Division that was reported in paragraph 23 of the report of the Committee (A/66/737). The Committee was informed that the review had been finalized and that OIOS planned to focus on five major initiatives identified in the report, namely, improving strategic relevance; ensuring increased use of the work of the Inspection and Evaluation Division by stakeholders; improving quality of work process; strengthening and developing new communication vehicles; and developing evaluation capacity and support for the United Nations Secretariat evaluation function. **The Independent Audit Advisory Committee will continue to follow up with OIOS on the implementation of the recommendations contained in the review.**

Budget proposal

26. At the time of the review of the budget submission, OIOS indicated that the Inspection and Evaluation Division had not yet finalized its workplan as it was still in the process of refining its risk-based assumptions. Moreover, it may be recalled that in its prior reports, the Independent Audit Advisory Committee had recommended that OIOS carry out capacity gap analysis to determine the appropriate resource requirements. During the discussion with OIOS, the Committee was informed that the Inspection and Evaluation Division would prepare a capacity gap analysis, once it completed the improvements it was making to its risk assessment process; and that the resource requirement for the Inspection and Evaluation Division for the 2013/14 period was based on the prior risk assessment that was done using proxy indicators such as budget size, complexity of coordination needs, and gender balance, among others. **The Independent Audit Advisory Committee recommends that OIOS expedite the finalization of the workplan of the Inspection and Evaluation Division, in order to ensure that the resources are being allocated effectively.**

27. The Independent Audit Advisory Committee also looked at the overall resources available to the Inspection and Evaluation Division, and noted that, in order to evaluate regular budget funded programmes with a total expenditure of about $5.31 billion,[1] the Inspection and Evaluation Division had 23 posts at its disposal. However, with respect to a peacekeeping operation whose expenditure

[1] *Official Records of the General Assembly, Sixty-seventh Session, Supplement No. 5*, vol. I (A/67/5 (Vol. I)); based on the biennium figure $10.63 billion contained in A/67/5 (Vol. II).

during the last fiscal year was about $7.54 billion,[2] the Inspection and Evaluation Division had only three posts. The above apparent anomaly notwithstanding, the Committee was informed that OIOS had inspected and/or evaluated all the high-risk peacekeeping missions, through whole mission, thematic, and/or meta evaluations. **That assurance notwithstanding, the Independent Audit Advisory Committee recommends that OIOS review the balance of its evaluation coverage in the context of the overall improvements in the effectiveness and relevance of the inspection and evaluation function of the Office.**

28. **While endorsing the continuation of the three posts to carry out the identified assignments, in the absence of a risk-based workplan and the corresponding capacity gap analysis, the Independent Audit Advisory Committee was not able to opine on the adequacy of the resources being requested comprising of 1 P-5 post and 2 P-4 posts.**

29. Subsequent to the finalization of the review process, the Independent Audit Advisory Committee received a tentative Inspection and Evaluation Division workplan of the Inspection and Evaluation Division, which it will discuss at its coming session in April.

C. Investigations Division

30. In its previous report (A/66/85), the views of the Independent Audit Advisory Committee on the level of resources for the Investigations Division were contingent upon paragraphs 37 and 38 of General Assembly resolution 63/287, regarding the restructuring of the Investigations Division; the finalization of the report on the pilot; the status of vacancies in the Division; and the outcome of the independent review of the Division.

Pilot project

31. In its report (A/63/703), the Independent Audit Advisory Committee supported the proposal of OIOS to create a hub and spoke-based investigation process in peacekeeping missions. The concept was premised on the understanding that there would be investigation centres in New York, Vienna and Nairobi that would be able to respond to investigation needs of the various missions without a permanent resident investigation presence in such missions. The Committee was informed that the new arrangement would lead to cost savings of about $950,000, and that it would absorb all the Procurement Task Force cases. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) agreed with the position of the Independent Audit Advisory Committee; however, the General Assembly, in its resolution 63/287, decided not to approve the proposal. Instead a revised structure with investigation centres in New York, Vienna and Nairobi, together with resident investigators in some missions, was approved as a pilot for three years, from 1 July 2009 to 30 June 2012.

32. Subsequently, the Independent Audit Advisory Committee has made several observations and recommendations concerning the pilot, including the need to address the high vacancy rates in the missions. On the vacancy rates, although the

[2] See *Official Records of the General Assembly, Sixty-seventh Session, Supplement No. 5*, vol. II (A/67/5 (Vol. II)).

Committee noted some improvements that, according to OIOS, averaged 17.8 per cent in 2012, the vacancy for the resident investigators in the field missions remained high, at about 33 per cent.

33. Pursuant to General Assembly resolution 66/265, in which the Secretary-General was requested to submit, in the context of the proposed support account budget for 2013/14, a final report on the pilot, the Independent Audit Advisory Committee deliberated on the draft of the requested report. OIOS also provided a cost benefit analysis and subsequent justifications to support the proposed establishment of an office at Entebbe.

34. The Independent Audit Advisory Committee was informed of the salient feature of the draft report, including the fact that an investigation could be undertaken from either the missions or in the regional centres; that most respondents to the survey indicated the importance of having a viable mission presence; and that geographically proximate regional centres were necessary. The draft also highlighted the difficulty in filling vacancies in missions with single investigators, compared to filling them in the regional centres.

35. With respect to the consideration of the Entebbe Regional Service Centre, the Independent Audit Advisory Committee was provided with a cost benefit analysis that showed three scenarios: status quo (based on the pilot as is); mission-based; and having the Entebbe Regional Service Centre. As far as cost considerations were concerned, OIOS analysis further showed that the cost would be lowest if the "status quo" were maintained ($8.8 million), and highest with the mission-based approach ($9.95 million). The Regional Service Centre was somewhere in between ($9.47 million). According to OIOS, other considerations such as staff recruitment/retention; staff mobility; mission stakeholders' needs; OIOS mission presence; investigation of sexual exploitation and abuse cases; and operational support requirements would be optimally satisfied through the Entebbe Regional Service Centre approach.

36. Upon further follow-up with OIOS, the Independent Audit Advisory Committee was satisfied with the justification provided and endorses the OIOS restructuring as proposed in the pilot project report.

Workplan and resource requirement

37. In paragraph 58 of its report (A/67/259), the Independent Audit Advisory Committee noted the difficulty of attributing the low levels of procurement-related investigations either to improved controls established since the creation of the Procurement Task Force, or to the failure of OIOS to detect and/or report fraud, especially among suppliers. This position was not helped by the absence of a proactive fraud detection system; hence, the Committee recommended that OIOS submit a risk-based workplan in its future Investigations Division budgets.

38. The above notwithstanding, the Independent Audit Advisory Committee was informed that the budget of the Investigations Division was based on the assumption that all category 1 cases would be investigated, and that OIOS had limited ability to predict future caseloads (owing to, inter alia, the absence of a robust forensic unit). In addition, the Committee was informed that the areas targeted for increased capacity on the basis of risk assessment included sexual exploitation and abuse, and misappropriation of donor funding provided to humanitarian relief agencies. The

Independent Audit Advisory Committee was not sure how, in the context of peacekeeping operations, donor funding would be considered more risky than procurement, which, as noted earlier, mission procurement accounted for over $1.6 billion (representing 63 per cent of all peacekeeping-related procurement). The Committee therefore recommends that OIOS re-examine its risk assessment processes to ensure that relevant risks (such as those associated with procurement) are appropriately considered and reflected in the workplan.

External assessment

39. OIOS briefed the Independent Audit Advisory Committee on the outcome of the external assessment of the Investigations Division that was commissioned by the Under-Secretary-General last year. The Committee was informed that the salient features of the recommendations made by the review panel included reducing the delay in completing investigations; complications associated with drafting investigation reports for the current system of justice; a need to amend the mandate of the Investigations Division in order to make it an essential player in the new accountability system; the need for a stable and realistic single budget for investigation; and the need for OIOS to properly train the recipients of the referred cases (which are predominately related to sexual exploitation and abuse). The Committee was informed that the Panel also endorsed the restructuring plan of the Investigations Division as put forward in the support account budget.

40. Upon further follow-up, the Independent Audit Advisory Committee was informed that the Investment Division had commenced a review of all the 91 recommendations made by the review panel to assess feasibility against resource constraint. **The Independent Audit Advisory Committee will continue to follow up with OIOS on the status of implementation of the recommendations put forward.**

41. **In spite of the absence of an effective risk-based workplan, and in the light of the outcome of the pilot project, the Independent Audit Advisory Committee endorses the restructuring of the peacekeeping investigation aspect of the Investigations Division and the requested resource level.**

IV. Conclusion

42. The members of the Independent Audit Advisory Committee respectfully submit the present report containing its comments and recommendations for consideration by the Advisory Committee on Administrative and Budgetary Questions and the General Assembly.

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Chair, Independent Audit Advisory Committee

(*Signed*) Vadim V. **Dubinkin**
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